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Thomas J. Sadowski
Director

MEMORANDUM

TO: Agency Payroll and Personnel Officers
FROM: OA/Division of Accounting
DATE: November 4, 2005
RE: State Tax Deduction Agreements

In accordance with SB 367, the Department of Revenue (DOR) and the Office of Administration (OA) have coordinated procedures for processing state individual income tax payment agreements for payroll deduction. This process enhances the procedures already in place from HB 600 (Section 105.262, RSMO) which have been recapped below.

In January 2006, DOR will identify any state employee who is noncompliant in filing or paying state income taxes. A letter will first be mailed to the employee's home address with instructions for compliance. As a result, the employee may contact DOR and agree to a payment plan to be made through payroll deduction.

If the employee does not comply with the direct mailing, a listing will be sent to each agency's Director and HR office noting its remaining noncompliant employees. It is the agency's responsibility to notify the employee of the potential liability and that compliance is a condition of continued employment with the State of Missouri. The employee can satisfy the filing/liability in full, or provide his/her agency Payroll/Personnel office with a Payroll Deduction Agreement which has been approved by DOR. To be considered compliant, the completed Payroll Deduction Agreement form must be returned to DOR within 45 days from the date the agency notified the employee.

When the employee presents a completed Payroll Deduction Agreement to your agency, the deduction should be entered into SAMII HR for the next available payroll. The Deduction Type is REVTA. The Deduction Plan is the "Tax Year" located in the

upper right corner of the Agreement. If there is more than one tax year, use the **oldest** tax year. The deduction plan codes are structured to coincide with the tax year and include a "Y" in front of the four digit year (ie: Y2001). The Agreement should be completed, including both taxpayers' signatures, (when required), and a signature of a DOR authority. **DO NOT PROCESS A DEDUCTION UNLESS ALL SIGNATURES ARE COMPLETED.** The Payroll/Personnel officer should complete the bottom portion of the form, keep one copy for your file, return one copy to the employee, and send the **original** via interagency mail to Department of Revenue/Taxation Bureau/Personal Tax/Payment Processing Section at Truman Building Room 330.

Should the employee terminate employment with your agency and a compensatory leave balance and/or annual leave balance is paid out, the Payroll/Personnel officer should first contact Mike Davis or Norma Dearixon at DOR to determine the outstanding balance of the deduction agreement. A 1DED should be processed against the leave payout to recover as much of that outstanding liability as possible.

If an employee with a Payroll Deduction Agreement transfers employment to another agency, the former agency should coordinate the deduction and provide a copy of the agreement to the new agency for documentation purposes.

The deductions should NEVER be expired without notification from DOR. DOR will send each agency a "paid in full" listing immediately following each pay date. If an employee is on this list, the deduction should be expired and no further deduction is needed.

This deduction (as with any payroll deduction) is confidential information and should never be released or discussed with anyone except the employee or DOR.

If you have questions about the payroll or deduction process, please contact Vandee DeVore, OA's Central Payroll Manager at 573-522-5863. If you have questions about the Payroll Deduction Agreement, please contact Mike Davis, DOR's Revenue Manager at 573-751-8913 or Norma Dearixon, Section Supervisor at 573-751-7202.

Employees with questions about the Payroll Deduction Agreement should contact the Department of Revenue at 573-751-7200.

SB 367 – Payroll Deduction Payment Agreements for State Employees

- Goes into affect January 1st, 2006.

Payroll Deduction Payment Agreement Process:

1. DOR courtesy non-filer and delinquency notices to go out in early January, 2006 to employee home addresses. State employee requests payment agreement (Agreement) from DOR.
 2. DOR generates Agreement based on DOR guidelines (12 months, equal installments) and sends to state employee.
 3. State employee signs Agreement and takes to Payroll/Personnel office.
 4. Payroll/Personnel office enters payroll deduction information into SAMII-HR with deduction type REVTA, and deduction plan being the earliest year on the agreement. (If it is for a year prior to 2000, please contact Vandee DeVore in Division of Accounting to set up the deduction plan.)
 5. Payroll/Personnel office completes bottom part of Agreement and sends to DOR at the following address:

Taxation Bureau
Personal Tax, Room 330
Harry S Truman Building
Attn: Payment Processing Section
 6. DOR updates records of Agreement being final. (NOTE: State employee is not in compliance with Section 105.262 RSMo until Agreement is received by DOR from the Payroll/Personnel offices.)
 7. Tax Compliance letter is issued the following business day after DOR updates their records.
 8. When the delinquency is paid in full, DOR will issue Payroll/Personnel office with a Paid in Full report. (The report will be sent to the agency contact person on the 2nd business day after each payday.)
 9. Payroll/Personnel office expires REVTA deduction information.
- Notification to agencies from DOR of state employees who do not comply with DOR will be in mid February. Agencies must notify employees of delinquency and the 45 days to comply as condition of continued employment.
 - Agencies should notify Mike Davis at Mike.Davis@dor.mo.gov of their agency notification date (to their employees).
 - DOR will produce a 45-day and 55-day Non-compliant report for the agencies.
 - Annual or Comp Leave Payouts at termination are subject to withholding. Contact Mike Davis to determine outstanding amount due and agency will enter 1DED against the payout amount.